

SENATE BILL REPORT

E2SSB 5859

As Amended by House, March 12, 2007

Title: An act relating to retail liquor licenses.

Brief Description: Changing the formula for determining how many spirits, beer, and wine restaurant liquor licenses can be issued in the state.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kohl-Welles, Prentice, Clements and Murray; by request of Liquor Control Board).

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/13/07, 2/27/07 [DPS-WM].

Ways & Means: 3/05/07 [DP2S, DNP].

Passed Senate: 3/12/07, 45-3.

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5859 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Clements, Ranking Minority Member; Franklin, Hewitt, Holmquist, Murray and Prentice.

Staff: Jennifer Strus (786-7316)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5859 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hobbs, Keiser, Kohl-Welles, Parlette, Rockefeller, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Staff: Dean Carlson (786-7305)

Background: The Liquor Control Board (LCB) currently issues a number of different licenses for premises that serve spirits, beer, and wine. It does not currently issue liquor licenses for nightclubs.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Engrossed Second Substitute Bill: Total Number of Spirits, Beer, and Wine Restaurant Licenses: The total number of spirits, beer, and wine restaurant licenses allowed in the state is increased from one for every 1,450 persons in the state to one for every 1,300 persons in the state.

Summary Suspension of Liquor Licenses: An administrative law judge may extend the period for a summary suspension of a liquor license up to one calendar year if proceedings for revocation or other action cannot be completed during the initial 180 day period because of actions by the licensee or permittee.

Society or Organization: Local wine industry associations registered under section 501(c)(6) of the Internal Revenue Code is a "society or organization" for purposes of a special occasion liquor license.

Hotel Liquor License: A new liquor retailer's license is created and is called a hotel license. The LCB may issue the hotel license to an applicant regardless of whether he or she already holds any other liquor licenses. The LCB may not issue a hotel license to any applicant offering rooms for guests on an hourly basis.

The holder of a hotel license may:

- sell spirituous liquor, beer, and wine by the individual glass, at retail, for consumption on the premises, at dining places in the hotel;
- sell at retail, from locked honor bars in individual units, spirits not to exceed 50 milliliters, beer of not more than 12 ounces, and wine in bottles of not more than 385 milliliters. The alcohol can be sold to registered guests for consumption in guest rooms. The hotel licensee must buy all spirits from the LCB. The licensee must also require proof of age of any guest renting a room and requesting use of the honor bar. The guest must execute an affidavit verifying that no one under 21 will have access to alcohol in the honor bar;
- provide alcohol, without additional charge to overnight guests, including wine by the bottle, and by individual serving for on-premises consumption at a specified regular date, time, and place. Self-service of alcohol is prohibited and all alcohol beverages must be served by an alcohol server;
- sell beer or wine in the manufacturer's container or by individual drink to guests through room service or to occupants of private residential units managed by the hotel. The licensee may also sell beer at retail locations within the hotel;
- sell for on or off-premises consumption wine carrying a label exclusive to the hotel licensee; and
- place in guest rooms at check-in, a complimentary bottle of beer or wine and refer to this service in promotional material.

The licensed facilities may be owned or leased and operated by the hotel or another party under a contract or joint venture agreement with the licensee. The facilities may also be operated by another party holding a contract or joint venture agreement with the licensee.

The license issued to the hotel is only valid upon the contiguous property of the hotel and where all facilities and grounds at the hotel are owned or leased by the same person or persons.

The hotel licensee may remove from the licensee's liquor stocks liquor for sale and service at event locations at a specified date and place not currently licensed by the LCB. If the event is open to the public, it must be sponsored by a charitable society or organization. Licensees may also cater events on domestic winery premises.

Minors may be allowed in all areas of the hotel where alcohol may be consumed; however, the consumption must be incidental to the primary use of the area. These areas include tennis courts, hotel lobbies, and swimming pool areas.

The annual fee for a hotel license is \$2,000.

Storing Alcohol on Another's Premises: The holder of a spirits, beer, and wine restaurant license with a caterer's endorsement may store liquor on another non-license holder's premises as long as there is a written agreement between the licensee and the other party to provide for ongoing catering services. There can be no exclusivity to the liquor served, and the agreement between the licensee and the other party must be filed with the LCB.

Microbrewery/Brewery Second Location: Microbreweries or domestic breweries holding either a spirits, beer, and wine restaurant license or a beer and/or wine restaurant license may open a second retail-only location that is separate from the microbrewery or brewery premises.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: There is an emergency clause and the bill takes effect on July 1, 2008.

Staff Summary of Public Testimony on Original Bill (Labor, Commerce, Research & Development): PRO: The LCB has been working on this issue for several years. Most of the nightclub establishments currently have a spirits, beer, and wine restaurant license and this license does not provide the locality in which the club is located with sufficient information as to what kind of business the club will operate. The elimination of the cap for the number of statewide spirits, beer, and wine restaurant licenses is needed because the cap is almost reached and it is unfair to deny such a license in one area of the state because there is no room under the cap. The LCB is asking for an amendment for a pilot in an area with a high density of nightclubs. In this pilot, a four person liquor enforcement team would partner with local law enforcement and focus on those businesses with a spirits, beer, and wine restaurant license that have a nightlife component to their business. This pilot will be focused in King County. The increase in costs generated by this bill will come out of the liquor revolving account which has sufficient funds to cover the costs. There is support for increased enforcement resources for the LCB. Venues should not be restricted to children as long as they are not in the areas where alcohol is served.

OTHER: There is concern that with the elimination of the cap on the number of spirits, beer, and wine restaurant licenses that the LCB can issue that there will be no safeguards in place to ensure that localities do not have more of these premises than they want. The focus of the bill is a bit broad especially the language defining the premises as one that has a larger load

capacity than seating. This definition could pull in premises that are not nightclubs but have large foyers as part of their premises. Local governments have broad authority to control and regulate nightlife premises and are in a better position to address this issue than creating a whole new liquor license.

Persons Testifying (Labor, Commerce, Research & Development): PRO: Rick Garza, LCB; Pete Hanning, Red Door; Jerry Everard, Seattle Nightlife and Music Association.

OTHER: Michael Transue, Washington Restaurant Association; Rose Feliciano, City of Seattle.

Staff Summary of Public Testimony (Ways & Means): None.

Persons Testifying (Ways & Means): No one.

House Amendment(s): Clarifies that the LCB may issue spirits, beer, and wine restaurant licenses to both microbreweries and breweries, if they otherwise qualify. Corrects internal references.